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Corporate Social Performance and the Psychological Contract

Bruce A. Rayton

University of Bath School of Management
Claverton Down
Bath
BA2 7AY
United Kingdom

Stephen J. Brammer

Birmingham Business School
University House
Edgbaston Park Road
Birmingham
B15 2TY
United Kingdom

Andrew I. Millington

University of Bath School of Management
Claverton Down
Bath
BA2 7AY
United Kingdom

Abstract

This study investigates the role of corporate social performance (CSP) within the psychological contract to better illuminate the micro-processes through which CSP promotes improved firm-stakeholder relationships. It extends the study of psychological contract breach beyond the dyadic relationship between the organization and the employee through an analysis of the impact of employee perceptions of internal and external CSP on psychological contract breach. In so doing, we add significantly to the growing evidence base in relation to if, how, and when affective commitment is enhanced by CSP by explicitly accounting for the role of employee expectations in respect of their employers' socially responsible initiatives in shaping employees' attitudinal outcomes.

Corporate Social Performance and the Psychological Contract

Although recent work has explored the relationship between employee perceptions of CSP and various dimensions of employee attitudes and behaviors (Brammer, Millington, & Rayton, 2007; Carmeli, Gilat, & Waldman, 2007; Evans & Davis, 2011; Mirvis, 2012; Valentine & Fleischman, 2008), little is known about the relationship between CSP and the psychological contract. The importance attached to CSP in earlier studies of the relationship between corporate social responsibility and affective organizational commitment (Brammer et al., 2007; Peterson, 2004) suggests that this is a significant omission. While most of the earlier literature on the psychological contract is concerned with dyadic relationships within (or with) the firm (Zhao, Wayne, Glibkowski, & Bravo, 2007) the outcomes of CSP are often absorbed by third parties rather than the parties to these psychological contracts. The study of the relationship between CSP and the psychological contract offers the opportunity, therefore, to extend our understanding of the relationship between CSP and employee behaviors and to investigate the impact of exchanges with a third party on the dyadic parties to the psychological contract.

Earlier studies of psychological contract breach have focused on exchanges between employees and their organization; analysis of these dyadic relationships has demonstrated an empirical link between contract breach and a range of work related outcomes, including job satisfaction (Orvis, Dudley, & Cortina, 2008; Sutton & Griffin, 2004; Tekleab, Takeuchi, & Taylor, 2005), organizational commitment (Raja, Johns, & Ntalianis, 2004; Restubog, Bordia, & Tang, 2006), turnover (Lum, Kervin, Clark, Reid, & Sirola, 1998), and organizational citizenship behaviors (Robinson & Morrison, 1995). Previous work has also analyzed the role of ethically based processes, such as distributional and procedural justice, in the social exchange process

(Coyle-Shapiro, 2002). In an important extension to the analysis of the dyadic relationship between the organization and the employee, other researchers have emphasized the importance of network relationships (Emerson & Cook, 1978) and interdependencies in connected networks (Coyle-Shapiro & Conway, 2004). These network relationships include formal and informal relationships at work, including those with supervisors and team members (Bal & Vink, 2011), as well as a broad range of external relationships with groups which include religious organizations, the community, and trade unions (Mueller & Lawler, 1999; Reichers, 1985). Indeed, the fulfillment of obligations in one relationship may be dependent on the successful exchange of resources in another relationship (Emerson, 1976).

In this paper we assess whether the socially responsible performance of employers forms part of the psychological contract of employees and the implications of different forms of CSP for contract breach. We address this issue by determining whether breaches in the expectations of employees about the CSP of their employer are related to the affective commitment of workers to their organization. The analysis is based on primary data from a sample of the employees of a financial services company. In so doing, we expand the literature examining the micro-processes by which employees make sense of, and respond to, CSP.

The paper makes two significant contributions to the literature. This study is the first to investigate the role of CSP within the psychological contract, extending earlier work that has investigated the relationship between CSP and aspects of employee attitudes and behaviors (Brammer et al., 2007; Carmeli et al., 2007; Dutton, Dukerich, & Harquail, 1994; Peterson, 2004; Valentine & Fleischman, 2008) by explicitly addressing the role of employees' expectations of firms' CSP in shaping their affective responses. Second, this paper extends the analysis of psychological

contract breach beyond dyadic relationships and considers the implications of exchanges with third parties for the psychological contract between the organization and the employee within the context of CSP. Although earlier work has analyzed the implications of network relationships outside the organization for the psychological contract, most of these studies focus on the dyadic relationship between the internal and external partners in supply chain relationships (Hill, Eckerd, Wilson, & Greer, 2009), or on situations where employees might be considered to have multiple employers (Rubery, Cooke, Earnshaw, & Marchington, 2003; Rubery, Earnshaw, Marchington, Cooke, & Vincent, 2002). In contrast, we consider here the implications of exchanges between the firm and a third party for the psychological contract between the firm and the employee. In so doing, we make a significant contribution to extending knowledge regarding the underlying processes by which socially responsible behaviors shape organizational outcomes.

Conceptual Background and Development of Hypotheses

The conceptual model is illustrated by Figure 1. Following recent research exploring employee responses to CSP (Bauman & Skitka, 2012; Hillenbrand, Money, & Ghobadian, 2013; Rupp, Shao, Thornton, & Skarlicki, 2013), this model is used to explore how employees perceive of and respond to CSP and draws upon psychological contract theory, social exchange theory, social identity theory, and social learning theory (Bandura, 1986; Blau, 1964; Rousseau, 1989; Tajfel & Turner, 1986).

Insert Figure one about here.

We make a primary distinction between internal and external aspects of CSP. External CSP is primarily concerned with the management of firms' relationships with external stakeholders, such as consumers and local communities, and is strongly oriented to the external image and reputation of the organization (Brammer et al., 2007). This aspect of CSP maps onto similar conceptions of CSP in related research. For example, Kaptein and Van Dalen (2000) identify practices relating to the management of the firm's relationships with external stakeholders as a key signal of its ethical qualities, and Hillenbrand et al. (2013) define "others-related" socially responsible activities as relating to "whether an organization gives something back to local communities, [and] how fairly it treats suppliers or competitors." (p. 130) In contrast, internal CSP relates to the internal operation of the organization, and for employees reflects their experience of company practices with implications for the health, well-being, and equality of opportunities for all company employees (Brammer et al., 2007; Turker, 2009). As we argue below, internal and external aspects of firms' CSP shape employees' attitudes through somewhat distinct psychological processes.

Psychological contracts are understood by the employee as a mutual agreement between themselves and the organization about future rewards for current efforts based on the norm of reciprocity (Gouldner, 1960; Rousseau, 1989), and Morrison and Robinson (1997) argue that the failure of the focal party to deliver on these expectations induces psychological contract breach and associated feelings of violation, typified by the emotions of hurt and betrayal. Psychological contract theory is derived from social exchange theory, which proposes that parties to exchange relationships are thought to feel an obligation to repay the other party with something of equivalent value in order to satisfy notions of fairness in their exchange relationship and facilitate the continuation of the exchange relationship (Blau, 1964;

Gouldner, 1960; March & Simon, 1958). Social exchange and psychological contract theories share the view that individuals respond to exchange content in which they see value. The difference between these theories is best summarized by noting that social exchange theory is focused on the *delivered content* of the exchange in valued domains, while psychological contract theory is focused on whether or not the delivered content *meets the expectations* of recipients in valued domains.

Since the psychological contract perspective emphasizes the importance of whether or not the delivered content meets the expectations of recipients in domains that are salient to the individual, our model makes distinctions within each of the domains of CSP between the extent to which employees perceive that their employer provides a given type of CSP, the extent to which this delivery meets employee expectations for this type of CSP, and the extent to which the employee thinks that delivery in this domain is important. Our model predicts that employees will exhibit positive attitudinal responses when they perceive their organization to be delivering CSP. Moreover, consistent with research in the psychological contract tradition, we expect that the failure of the company to deliver on the expectations of employees in relation to CSP activities that are important to employees (hereafter referred to as psychological contract breach) will lead to psychological distress and that this distress will undermine employees' affective commitment to their employer.

We focus on the relationship between affective commitment and both internal and external CSP. Allen & Meyer (1990) define affective commitment as “an emotional attachment to, identification with, and involvement in the organization,” (p. 21) and affective commitment has been linked to a range of desirable employee outcomes which include: attendance, job performance, stress, health and work-nonwork conflict (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). The focus of

the Allen and Meyer (1990) definition of affective commitment on emotional attachment has clear relevance to psychological contract breach and its associated feelings of violation, while the definition's focus on identification with the organization is clearly relevant from the perspective of social identity theory. Since internal CSP forms an integral part of an employee's work experience, and since external CSP has a direct impact on the esteem with which others regard the employer, employee perceptions of a firm's ethics, values, and social responsiveness are likely to play a significant role in shaping affective commitment. We now turn to developing each of the hypotheses.

Internal CSP and Employee Affective Commitment

Research concerned with internal aspects of CSP and their implications for employee attitudes has typically emphasised the importance of perceived reciprocity within a social exchange process for employee identification with and commitment to organizations (Rupp, 2011). Since most exchange relationships expose the parties to the risk of opportunism and exploitation, "belief that another party is moral provides people with a sense of security and safety because people assume that moral actors are less likely to take advantage of them" (Bauman & Skitka, 2012, p. 7) which, in turn, encourages employees to identify with and exhibit high levels of commitment to a firm perceived as being more ethical (Maignan & Ferrell, 2001). Internal CSP may also be expected to provide employees with reassurance in relation to their concerns regarding their safety and security (Bauman & Skitka, 2012). Company policies and practices that directly address issues of relevance to employees such as employee benefits, working conditions and skill development can demonstrate a company's commitment to its employees, contribute to attributions of corporate morality and

reduce fears of exploitation (Aguilera, Rupp, Williams, & Ganapathi, 2007; Rupp, 2011).

Internal aspects of CSP have been shown to resonate strongly with justice-related concepts because these concepts share a normative core that emphasises a requirement and expectation of fair and equal treatment within the organization (Folger & Skarlicki, 2008; Gond, El-Akreimi, Igalens, & Swaen, 2010). Rupp (2011) has argued that “justice is more than a means to an instrumental or relational end—that justice is an end to itself—an end that is closely tied to our human need for meaningful existence, and an evolved human tendency to punish those who violate the rights of others.” (p. 74) Research within this approach emphasizes the fundamental psychological aversion to unethical and unjust organizational contexts (Cropanzano, Goldman, & Folger, 2003; Folger & Skarlicki, 2008). Consistent with this discussion, empirical research has shown that employees act pro-socially in environments perceived to have desirable justice characteristics and anti-socially in unjust environments (Greenberg, 2002; Zellars & Tepper, 2003), reflecting the role that internal aspects of CSP play in creating “a sense of obligation to recompense the organization in a manner befitting a social exchange relationship” (Zellars & Tepper, 2003, p. 397).

While this discussion suggests that internal CSP activities are likely to shape affective commitment through their capacity to support employee perceptions of safety, security, and reciprocity with social exchange and via generating feelings of belongingness and meaning, it leaves open the question of precisely how internal CSP shapes affective commitment. To the extent that internal CSP is construed by employees as being “nice to have” but lying outside of employees’ psychological contract with their employers, internal CSP will shape employee attitudes via a simple

provision effect, such that employees' affective commitment is enhanced in the presence of internal CSP, but is likely to remain unaffected by perceptions that levels of provision fail to meet expectations. In contrast, to the extent that expectations regarding justice within organizations are central to employees' expectations of their employer, one might expect employee perceptions of the ethical climate of the organization to influence the psychological contract and employee perceptions of psychological contract breach (O'Donohue & Nelson, 2009; Thompson & Bunderson, 2003). Thus, when employees perceive that the organization has ethical obligations, and when these obligations are seen to be important by the employee, the failure of an organization to fulfil expectations in this domain will represent a breach in that contract (O'Donohue & Nelson, 2009). Reflecting this discussion we hypothesize that

Hypothesis 1: Employee perceptions of the level of internal CSP and affective commitment are positively related.

Hypothesis 2: Employee perceptions of breach in the provision of internal CSP and affective commitment are negatively related.

External CSP and Employee Affective Commitment

The distinct character of external CSP implies that it potentially shapes employee attitudes through different psychological processes when compared with internal facets of CSP, since the concepts of reciprocity, expectations, and mutual obligation that we argued are central to shaping employees' responses to internal CSP are less applicable in the case of external CSP. Consistent with this character of external CSP, prior research has generally emphasized the importance of social identity-based psychological mechanisms as the process by which employee attitudes are shaped by external CSP (Bauman & Skitka, 2012; Gond et al., 2010).

The salience of external CSP to employees is explained by social identity theory, which indicates that individuals view themselves as members of social categories (Ashforth & Mael, 1989; Tajfel & Turner, 1986; Turner, 1985). Within social identity theory, one's view of oneself, or *self-concept*, is influenced by one's membership in social organizations, including the organization for which one works (Ashforth & Mael, 1989; Dutton et al., 1994). Individuals attempt to establish or enhance their positive self-concept through the comparison of their characteristics and the groups to which they belong with other individuals and groups (Ashforth & Mael, 1989; Tajfel & Turner, 1986; Turner, 1985). Favorable comparisons lead to an enhanced self-concept, unfavorable ones to reduced self-esteem. Perceptions of an organization's identity, the beliefs held by a member of an organization concerning the "distinctive, central, and enduring attributes of the organization" (Dutton et al., 1994, p. 243-4), may influence the strength of identification of an individual with an organization. Hence, social identity theory hypothesizes that individuals are happiest when they associate themselves with organizations that have positive reputations, because it is associated with those organizations that will enhance their self-concept (Maignan & Ferrell, 2001; Tajfel & Turner, 1986).

Prior research demonstrates that external CSP is positively related to the reputation of the company (Brammer & Millington, 2005; Maignan & Ferrell, 2001) and social identity theory suggests that employees will be proud to identify with organizations that have a positive external reputation (Ashforth & Mael, 1989; Dutton et al., 1994; Gavin & Maynard, 1975; Maignan & Ferrell, 2001), since employees may "bask in the reflected glory of the organization" (Dutton et al., 1994, p. 240). More recently, it has been suggested that employee perceptions of a firm's ethics, values, and social responsiveness play a significant role in shaping employees'

perceptions of the attractiveness of particular organizations (Greening & Turban, 2000; Peterson, 2004), and that employees will draw upon their own particular background when interpreting corporate values (Gertsen & Zølner, 2012). Corporate experience in the oil and pharmaceutical industries has emphasized the negative consequences for corporate reputation that may flow from inappropriate behavior towards the environment (Fanning, 1990) or consumers (Peterson, 2004) and the reduction in employee identification with the company that can follow (Dutton et al., 1994). Employees are likely to base their opinions of external CSP on information from both internal and external sources (Bandura, 1986; Gilly & Wolfinbarger, 1998; Maignan & Ferrell, 2001).

Recent work suggests that the psychological contract can encompass relationships within and outside the organization (O'Donohue & Nelson, 2009). Psychological contracts also reflect the importance of the social context within which they are enacted (Coyle-Shapiro, Shore, Taylor, & Tetrick, 2004). However, most of the earlier work on the psychological contract is restricted to bilateral exchanges between the employer and the employee. We might, however, also expect failure by the organization to deliver on exchanges with third parties to impact on the psychological contract between the organization and the employee where these third party exchanges are perceived to be important by the employee (O'Donohue & Nelson, 2009; Thompson & Bunderson, 2003). Hence, both social identity theory and more recent developments within psychological contract research suggest that external CSP will cause employees to identify more strongly with companies, resulting in an increase in affective commitment.

The preceding discussion suggests that employees may value both internal and external CSP and that from the perspective of the individual employee it may form

part of the psychological contract between the employer and the employee. It can therefore be argued that any breach in this psychological contract may be expected to reduce affective commitment (Conway & Briner, 2005; Coyle-Shapiro & Kessler, 2000). Social identity theory suggests that some employees may value the CSP activities of their employers, and psychological contract theory suggests that employees will respond negatively when expectations of the delivery of valuable items are not met. This logic leads us to hypothesize that

Hypothesis 3: Employee perceptions of the level of external CSP and affective commitment are positively related.

Hypothesis 4: Employee perceptions of breach in the provision of external CSP and affective commitment are negatively related.

Internal and External CSP and Affective Commitment

While the preceding discussion suggests that both internal and external CSP are likely to have significant effects on the affective commitment of employees, there is merit in considering the relative importance of the two aspects of firms' CSP for affective commitment. The relationships of internal and external CSP with the psychological contract differ in two key respects. First, the distance between the employee and the group associated with the CSP action. Second the extent to which the employee is a direct beneficiary of the CSP action.

Earlier research on organizational commitment has suggested that employees have multiple commitments to groups and individuals both within and outside the organization (Boshoff & Mels, 2000; Marks, 2001; Mueller & Lawler, 1999; Reichers, 1985, 1986). Reichers (1985) argues that the individual employee interacts with an inner circle that comprises management and co-workers and an outer circle that includes customers, professional associations and the community. Thus, Lawler

(1992) argues that employees will have stronger ties to work groups, rather than the organization they work for while Marks (2001, p. 461) suggests that “commitments to local or more proximal organizational units are increased more than commitments to [...] distant over-arching units” when employees experience positive emotions about their jobs. This suggests that breaches of internal CSP will have a stronger effect on affective commitment than breaches of external CSP because of the relative proximity of the beneficiaries of internal CSP to the employee.

Internal CSP may include company practices that encourage a diverse workforce, protect employees from discrimination and create a safe environment in which employees can report misconduct—such practices may be expected to have direct benefits to the individual as well as indirect benefits which flow from the treatment of fellow workers. External CSP may be associated with communities through philanthropy or the ethical treatment of local suppliers, and in either case the exchange is between the organization and a third party. In this case employees benefit indirectly though the value they place on CSP in the community. Similarly, ethical business policies to consumers may be expected to have a direct benefit to the third party but an indirect benefit to the employee. Since the benefits to the employee of internal CSP are both proximate and direct relative to the benefits of external CSP we hypothesize that

Hypothesis 5. The relationship between breach of internal CSP and affective commitment will be stronger than that between breach of external CSP and affective commitment.

Method

In this study, we use primary data collected via an employee attitude survey of the employees of a large retail banking services firm in the United Kingdom. The company provides a broad range of commercial and retail financial products and services to over 10 million customers, including mortgages, savings, current accounts, life insurance, and business loans.

The survey was administered to 594 employees in the organization in November 2007. The survey was distributed by company mail and employees were encouraged to complete it during work time. The surveys were collected by post-paid envelopes that were pre-addressed to the research team. Respondents were asked to provide their employee number on the front cover of the survey in order to facilitate matching survey responses with demographic data held in company databases. The survey generated 294 responses yielding a raw response rate of 49.5 percent. Twenty-two respondents withheld their employee number, thus making it impossible to match their responses with demographic details. Non-response or multiple responses to survey items further reduced the regression sample to 243 useful responses. There was no evidence of systematic bias in these missing observations.

We took several steps in the design of our study to mitigate potential impact on our regression analyses of common method variance, consistent with the recommendations of Podsakoff, MacKenzie, and Podsakoff (2011). First, we separated the questions of interest in this study, using logical separations in the survey structure as well as inclusion of other questions not used in this study to increase the proximal and psychological separation between the questions of interest. Second, the measures of internal and external CSP provision and breach were measured using different scales than the dependent variable in order to eliminate common scale properties. Third, the survey questions were all vetted in a series of eight focus groups

in order to ensure that the language resonated with the target respondents to eliminate ambiguity. Fourth, the scales employed use a balance of positive and negative items in order to avoid acquiescence and disacquiescence. Final piloting was undertaken to ensure survey flow and timings were appropriate, and the resulting data passed an unmeasured latent method factor test (Bagozzi & Phillips, 1982) and the Harman single factor test.

Variables Used in the Analysis

The information on employee age and tenure are drawn from company databases. All other variables are constructed from the employee survey. Some of the constructed variables are simple demographic controls, while others are constructs built from groups of attitudinal questions. We operationalize all of our constructs using mean scores per item instead of factor scores in order to facilitate interpretation, generalizability, and transferability (Hair, Anderson, Tatham, & Black, 1998, p. 119-120). This section begins with a description of the dependent variable, and then describes the independent variables.

Dependent variable. In this study we measure affective commitment using the six-item scale developed by Allen and Meyer (1990). The questions are placed in the context of the surveyed company and assessed using a seven point Likert scale (1= “strongly disagree” and 7= “strongly agree”). Typical questions include: “*The company* has a great deal of personal meaning for me” and “I would be very happy to spend the rest of my career with *the company*.” The construct has a Cronbach’s alpha of 0.83, implying a high degree of internal consistency in the responses to the individual questions.

Independent variables. We adopt the approach of Coyle-Shapiro (2002) to measuring elements of the psychological contract in order to assess levels of psychological contract breach in the domains of internal and external CSP. This approach uses scale items that reflect various domains that may form part of the psychological contract, and employees are asked three questions about each of these content areas: one about employer obligations in this domain, one about employer provision in this domain, and one about the importance of delivery in this domain to the respondent (Coyle-Shapiro, 2002; Robinson, 1996). Measures of breach are then calculated by subtracting the degree to which a respondent feels the organization is obligated to provide in a given psychological contract domain from the level of provision in this domain and multiplying the result by the importance ascribed to the domain. This formulation has two intuitively appealing features. First, the level of breach is positive to the extent that obligations exceed delivery. Second, the level of breach rises with the level of importance of the contract domain to the employee.

The questions assessing employee perceptions of provision and breach in CSP distinguish between those elements in which employees are the primary beneficiaries of the company behavior (internal CSP) and those elements where an external third party is the primary beneficiary (external CSP). Questions for both constructs are based upon Maignan and Ferrell (2001, Table 1), who segment these initiatives based on the “stakeholder group benefiting most from the initiative.” The items assessing internal CSP relate to elements in this taxonomy that Maignan and Ferrell identify as clearly being of primary benefit to employees and the items assessing external CSP relate to elements that reflect the fact that employees are clearly not the group benefitting most from the initiative. We measure internal CSP with a three-item scale addressing diversity policies, internal policies to prevent discrimination, and the

efficacy of internal processes for reporting misconduct. Cronbach's alphas for the provision and breach of internal CSP are 0.795 and 0.776 respectively, thus indicating acceptable degrees of construct reliability. External CSP is a three-item measure capturing company support for external stakeholders. The measurement strategy asks employees to assess employer breach of obligations to have "a reputation in the wider community for being a trustworthy company," to have "a reputation in the wider community for fair treatment of customers," and to make "adequate contributions to charity." Cronbach's alphas for provision and breach of external CSP are 0.805 and 0.776, respectively. All of the CSP items are assessed against a seven point Likert scale (1= "not at all" and 7= "to a very great extent").

Control variables. We include several control variables in all of our regression analyses to ensure that our baseline regression model offers an opportunity to assess the incremental explanatory of the independent variables for understanding observed levels of affective commitment. Previous studies have indicated that affective commitment may be influenced by age, organizational tenure, educational level, gender, and marital status (Cohen, 1992; Meyer et al., 2002) as well as perceived organizational support (Ng & Sorensen, 2008) and overall feelings of psychological contract breach (Conway & Briner, 2002; Coyle-Shapiro & Kessler, 2000; Guzzo, Noonan, & Elron, 1994). We describe the construction of each of these measures in turn.

We extracted relevant dates from the HR records of each survey respondent in order to calculate measures of employee age and company tenure. Gender, again taken from the HR records, is coded as a dummy variable that takes the value of 1 for men and is otherwise equal to 0. Survey responses are used for the construction of all other controls.

Employee educational attainment was coded as a dummy variable equaling 1 for those with a university degree and taking the value 0 otherwise. Employees also supplied information about their relationship status which allowed construction of a dummy variable equaling 1 for single respondents and taking the value 0 otherwise.

We measure Perceived Organizational Support using an eight-item scale from Rhoades, Eisenberger, and Armeli (2001) ($\alpha = 0.921$). Sample items are, “My organization shows little concern for me” and “Help is available from my organization when I have a problem.”

We measured overall psychological contract breach using the five-item scale of Robinson and Morrison (2000). Alpha for this scale is 0.902 and a sample item is, “I have not received everything promised to me in exchange for my contributions.” Inclusion of this measure among the controls is again designed to ensure that the baseline regression model offers an opportunity to assess the incremental value associated with the independent variables, thus avoiding any impression that our measurements of breach in CSP-related domains are operating as proxies for breach in domains that are omitted from our models.

Results

This section reports the results of estimating the model described above. Descriptive statistics, correlations, and variance inflation factors are provided in Table 1. Women comprise 60 percent of the sample. The average age is 37, 24 percent of employees are single and average tenure is just over 10 years. Most employees have completed primary and secondary education, and 28 percent of the workforce has a university degree. The correlation coefficients between the independent variables are generally low, though there is some evidence of meaningful correlation between the measures of CSP provision and breach. Despite these correlations, we

note that most of these are artifacts of the use of both provision and breach in the same model, without which we could not address the hypotheses of this paper. Table 1 also reveals meaningful correlations between our measures of CSP provision and breach: consistent with the view that the diversity and equality policies captured in our measures of internal CSP could be regarded as a form of organizational support. All regression analyses in this paper include perceived organizational support as a control, and as a result we will isolate any direct impacts of CSP on affective commitment. We also note that any multicollinearity resulting from the inclusion of these correlated independent variables would not introduce bias into our estimates, though any inefficiency of the estimates would make it harder for us to reject the null hypothesis that there is no link between CSP and affective commitment. In any event, none of the variance inflation factors in Table 1 exceeds 3.96, and this suggests that multicollinearity is unlikely to prove a significant problem (Hair et al., 1998).

Insert Table 1 about here

Table 2 presents the results of the regression analyses. The sample size is 243, and Model 1 is a base model, including only the control variables. The R^2 of this model is 0.300, and it can be seen that company tenure, perceived organizational support, and overall psychological contract breach are significantly linked with affective commitment. Longer-serving employees are more committed to the organization, perceptions of support from the organization are associated with higher levels of affective commitment, and a perceived failure of the organization to deliver on the terms of the psychological contract is associated with lower levels of affective commitment. Table 2 reports standardized regression coefficients, which suggest that

breach and perceived organizational support are the most important correlates of affective commitment in this model. This model provides a baseline reflecting previous research on links between perceived organizational support, psychological contract breach, and affective commitment and facilitates the assessment of the value of incorporating provision and breach of CSP in the subsequent analyses.

Insert Table 2 about here

Model 2 adds the provision of internal and external CSP to the analysis. The R^2 for this model increases to 0.344 and an F -test indicates that this change in model fit is significant at conventional levels ($p < 0.001$). The pattern of coefficient magnitudes and significance for the control variables is virtually identical to that of Model 1. Although there is some erosion in the magnitude of the standardized regression coefficient attached to overall psychological contract breach, this regression coefficient remains significant ($p < 0.01$). Of the CSP variables, only external CSP is significantly linked with affective commitment ($p < 0.01$), and it has the expected positive sign.

Model 3 examines the impact of breach in external and internal CSP. The R^2 for this model rises to 0.335, and again this change in R^2 relative to Model 1 is significant at conventional levels ($p < 0.004$). The coefficient estimates are very similar to Model 2. Interestingly, breach of internal CSP is significant at conventional levels ($p < 0.05$) and the relationship has the predicted negative sign.

Model 4 examines the impact of including both provision and breach in the same model. This approach will increase any impact of multicollinearity on the model, though we recall that the variance inflation factors reported in Table 1 suggest

that any such effects will be small. The R^2 for this model is 0.358, and this value represents a significant improvement in overall fit relative to both Model 2 and Model 3. This improvement in fit demonstrates that the measures of CSP provision and breach provide unique sources of explanatory power. Tenure, education, perceived organizational support and overall psychological contract breach all continue to be significantly related to affective commitment. The significance patterns of the regression coefficients associated with provision and breach of internal and external CSP revealed in Models 2 and 3 are enhanced in Model 4. The provision of external CSP is positively linked with affective commitment ($p < 0.01$), supporting Hypothesis 2, while breach of internal CSP obligations is negatively linked with affective commitment ($p < 0.05$), supporting Hypothesis 3. The magnitudes of the standardized regression coefficients for the CSP domains are comparable with those associated with perceived organizational support and overall psychological contract breach. We conducted two unreported supplementary regressions as a final diagnostic for multicollinearity. The first supplementary regression modified Model 4 by excluding the provision of internal CSP. This analysis resulted in an insignificant change in R^2 ($\Delta R^2 = 0.003$; $p = 0.365$). The second supplementary regression modified Model 4 by excluding breach of external CSP and, again, there was no significant change in R^2 ($\Delta R^2 = 0.002$; $p = 0.485$). If the non-significance of these regression parameters in Model 4 was driven by multicollinearity, significant changes in R^2 in both supplementary regressions would be expected. This evidence leads to the conclusion that there is no evidence in support of Hypothesis 1 or Hypothesis 4.

The importance of breach of internal CSP rather than breach of external CSP as a driver of the relationship between contract breach and affective commitment can be explained by the proximity of internal CSP to the employee and/or the likelihood

of internal CSP contract breach having a direct rather than indirect impact on the employee. As such, this set of results provides support for Hypothesis 5 and supports the view that internal CSP forms a part of the psychological contracts of employees.

Discussion

In this study, the role of CSP within the psychological contract is investigated. It extends the study of psychological contract breach beyond the dyadic relationship between the organization and the employee through an analysis of the impact of employee perceptions of internal and external CSP on psychological contract breach.

The results provide three clear findings in support of the model illustrated in Figure 1. First, there is evidence that there is a direct relationship between the perceived level of external CSP and affective commitment. Second, the results suggest that CSP forms part of the psychological contract, as breach of internal CSP results in a decline in affective commitment. Third, the clear distinctions between employee perceptions of internal and external CSP and the observed differences in affective commitment responses depending on whether measures of provision or breach are the subject of study support the conceptual division between provision and breach of internal and external CSP and illustrate the value of considering both provision and breach in the analysis.

The presence of internal CSP in the psychological contract of employees, as evidenced by the significant results associated with breach of internal CSP, may reflect the impact of failures in diversity or gender policies directly on the employee or on fellow employees who are members of closely related work groups. In either case, these events are far closer to the daily working experience of the employee than the largely indirect effects that flow from the breach of external CSP provision. These results are, therefore, consistent with earlier work that emphasizes the importance of

proximity of the parties in work relationships (Lawler, 1992; Marks, 2001). The importance of breach in internal CSP is not only consistent with feelings of violation engendered by the failure to deliver on these expectations for other internal stakeholders, but it may also reflect a calculative reassessment, consistent with the focus in social learning theory on the importance of observational learning, of the likelihood that the employer might breach promises to the respondent. Feelings of violation might reflect genuine empathy for other stakeholders, but they might also prompt a cognitive reassessment of the probability that the employer will deliver on obligations to the respondent. With respect to the impact of third party exchanges on the dyadic relationship between the organization and the employee (Coyle-Shapiro & Conway, 2004; Emerson & Cook, 1978; Mueller & Lawler, 1999; Reichers, 1985) the results are, therefore, mixed, since they suggest that while the provision of external CSP is a significant motivator of affective commitment, contract breach is driven by proximate work-related CSP failures.

The findings of this study suggest that companies pursuing commitment-based HR strategies can reinforce their HR strategy by improving their CSP: both in terms of meeting employee expectations of internal CSP and increasing their levels of external CSP provision. Social exchange theory suggests that positive commitment responses can only be expected to the extent that CSP is salient to employees, and this may imply that firms will need to recruit individuals who value the CSP provided by the firm in order to realize the benefits of such a strategy. Our findings also suggest benefits to proactive management of expectations about internal CSP through recruitment, induction, and performance appraisals, as such actions holds the prospect of helping firms make the most of their CSP (Hannah & Iverson, 2004, p. 240; Mirvis, 2012, p. 94). Lastly, firms must take particular care to deliver on the

expectations created surrounding internal CSP. Previous research has suggested that building a reputation for high CSP may offer a form of insurance against isolated instances of poor CSP (Werther & Chandler, 2005) or that it may result in firms being held to higher standards when falling short of these aspirations (Baron, 2009; Baron & Diermeier, 2007). Our work suggests that the latter is true for employee reactions to internal CSP, but we see no evidence of negative reactions from employees if an employer's external CSP reach exceeds its grasp, though other stakeholders may react differently.

Limitations

The analyses in this study are based on variables drawn from the same survey instrument and could, therefore, be subject to critiques based on common method variance. Steps were taken to mitigate these effects as suggested by Podsakoff et al. (2011). In particular, the instrument was designed to increase the logical and psychological separation of key questions in the survey structure as well as to minimize common scale properties, ambiguity and acquiescence, and the resulting data passes post-hoc tests for common method variance. For example, the Harman single factor test involves conducting exploratory factor analysis that is constrained to extract a single factor from the attitudinal items used in our model, and this reveals that a single common factor explains only 35.7 percent of the underlying variance: considerably lower than the 50 percent threshold associated with Harman's single factor test. Our results are robust to the inclusion of an unmeasured latent method factor (Bagozzi & Phillips, 1982). Our results are generated in a single company setting which may constrain the range of some of the variables included in the analysis.

Directions for future research

While this study has identified a clear difference in the implications of internal and external CSP for affective commitment, future work could also usefully extend the analysis to other national and industrial settings, as well as settings differing principally in the corporate approaches to CSP. It remains unclear whether contract breach is driven by CSP failures that affect the employee directly or indirect failures that impact on members of the work group or the culture within which work is enacted. Future work could usefully distinguish between the indirect and direct effects of CSP in the work place. Furthermore, the finding that breach of internal CSP is linked to affective commitment suggests interesting avenues for future work examining potential mediating roles for reputation, trust, and other variables related to the way employees interpret the CSP activities of employers. Exploration of the extent to which the effects of exceeding and failing to meet employee expectations regarding CSP are symmetric may also prove fruitful.

Our results suggest value in future work based on data on actual employee contributions to corporate external CSP programs. The commitment of personal resources to these programs would signal the salience of these corporate activities to individuals and as such might therefore moderate the relationships between external CSP and affective commitment identified in this paper. Additionally, we note that for the purposes of clarity this paper has operationalized CSP with items that are clearly internal and clearly external, and future work could usefully target some of the boundary spanning types of CSP initiatives to deepen our understanding of the ways in which provision and breach in CSP influence affective commitment. Examples of such initiatives include corporate matching of employee charitable giving, the granting of additional paid leave to enable employees to volunteer for organizations

selected by employees, and the sponsorship of local public goods (e.g., parks) which are of direct benefit to employees and are available to members of the wider community.

Conclusion

Taken together these results shed further light on the relationship between CSP and affective commitment and the conditions under which exchange content delivered to third parties may influence dyadic relationships between the organization and the employee. Our results suggest that both external and internal CSP influence affective commitment, suggesting that third party exchanges may influence the dyadic relationship between the organization and the employee. The relationship with CSP is, however, found to be dependent on CSP type. Thus the level/provision of external CSP is related to affective commitment while the relationship between internal CSP and affective commitment is driven by psychological contract breach.

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Table 1. Descriptive statistics, correlation coefficients and Variance Inflation Factors

	Mean	S.D.	VIF	1	2	3	4	5	6	7	8	9	10	11
1 Affective Commitment	4.39	1.22												
2 Age in years	37.60	11.54	2.07	0.04										
3 Tenure in years	10.20	8.59	1.92	0.07	0.67 **									
4 Has University degree	0.28	0.45	1.12	0.11 *	-0.08	-0.09								
5 Male	0.40	0.49	1.24	0.03	0.04	0.08	0.28 **							
6 Single	0.24	0.43	1.32	-0.12 *	-0.47 **	-0.37 **	0.10	0.03						
7 Perceived Organizational Support	4.21	1.41	1.82	0.42 **	-0.10	-0.23 **	0.02	-0.13 *	0.07					
8 Overall Psychological Contract Breach	3.64	1.29	1.83	-0.48 **	-0.09	0.00	-0.01	0.04	0.07	-0.59 **				
9 Internal CSP	5.13	1.17	3.96	0.39 **	-0.05	-0.06	-0.03	0.02	-0.01	0.46 **	-0.48 **			
10 External CSP	5.53	0.94	2.87	0.40 **	-0.10	-0.12 *	0.02	-0.08	-0.01	0.36 **	-0.42 **	0.59 **		
11 Breach of Internal CSP	5.04	8.40	3.45	-0.36 **	-0.05	-0.03	0.03	-0.17 **	0.01	-0.32 **	0.38 **	-0.72 **	-0.35 **	
12 Breach of External CSP	0.31	7.08	2.46	-0.27 **	-0.03	0.01	-0.09	-0.20 **	0.06	-0.13 *	0.24 **	-0.31 **	-0.57 **	0.52 **

** p < 0.01; * p < 0.05

Table 2. Linear regression results of models of affective commitment

	Model 1	Model 2	Model 3	Model 4
R-squared	0.300	0.344	0.335	0.358
Adjusted R-squared	0.280	0.318	0.310	0.327
F	14.414 **	13.564 **	13.348 **	11.692 **
N	243	243	243	243
Age in years	-0.127	-0.094	-0.151 *	-0.105
Tenure in years	0.174 *	0.175 *	0.180 *	0.173 *
Has University degree	0.107	0.108	0.124 *	0.118 *
Male	0.041	0.044	-0.020	0.024
Single	-0.123	-0.107	-0.120 *	-0.116
Perceived Organizational Support	0.257 **	0.214 **	0.225 **	0.212 **
Overall Psychological Contract Breach	-0.333 **	-0.241 **	-0.278 **	-0.229 **
Internal CSP		0.066		-0.095
External CSP		0.199 **		0.256 **
Breach of Internal CSP			-0.147 *	-0.209 *
Breach of External CSP			-0.081	0.058

** $p < 0.01$; * $p < 0.05$

Figure 1. Conceptual Model

